98-84382-9

McInnes, D.

Overlapping

Manchester

[1901]

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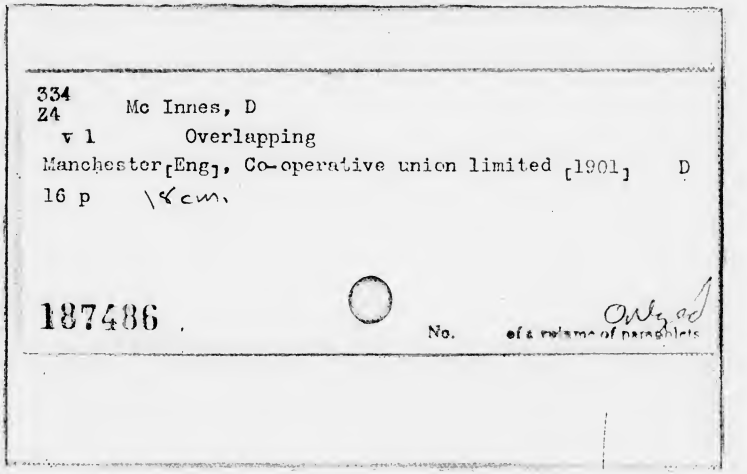

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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 4/2/98 INITIALS: F.C.

TRACKING # : 32363

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

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OVERLAPPING.

BY

D. M'INNES (Lincoln).

PUBLISHED BY THE CO-OPERATIVE UNION LIMITED, 2, NICHOLAS CROFT, HIGH STREET, MANCHESTER.

EC + MLW DEC 1910

OVERLAPPING.

It is difficult to conceive that any subject of greater importance than overlapping could be submitted to an assembly of co-operators, for if the competitive principle—which, in the main, is what gives birth to overlapping—finds a permanent place and exercises a predominating influence in the movement, decay is certain to set in, no matter how much we may boast of the magnitude of co-operation and of the results it has achieved. Size is not always strength, and it may be weakness. Trails of trusts, syndicates, and combines are circling around our societies yearly in greater degree. Wherever these flourish the cause of labour is menaced. What the co-operative movement of to-day has to consider is how to adjust itself to a changing environment.

Overlapping is one of the main hindrances to the process of adjustment. Co-operation is, in its very essence, a system of avoidance of waste; but what wasted, misdirected effort do we not see where overlapping prevails? There true co-operative spirit cannot abound. The existence of overlapping proves that growing resources are not all that is needed to build up a co-operative commonwealth. As our progress towards this end depends on the faith and intelligence not of the few, but of the many, we must tirelessly educate and organise. A living organism, placed under novel conditions, develops new resources and adapts itself to its altered mode of life. It is all very well for individual co-operators or individual societies to express their abhorrence of overlapping, and to utter fervent wishes for its extinction; but the consequences of overlapping—disunion and decay—cannot be averted simply by the expression of pious hopes. Aversion must evoke action; we must not be lax in facing serious problems.

One objection advanced to the remedies advocated

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in the report on overlapping is that societies are asked to make some sacrifice of their liberty of action as individual bodies in the interests of the whole co-operative movement. My answer to that is, that no great organisation, with aims such as the co-operative movement professes to have, is bound, in the name of liberty, to tolerate within itself conditions which are a menace to its welfare. It is admitted that overlapping menaces the welfare of co-operation, and if, by refusing to take action of some kind, we confess overlapping to be beyond our control, we are harbouring and incubating one of the subtlest forces of disintegration. We must therefore confront this problem, or lose our vitality as a force in economic evolution. But our work will not be easy.

Let us turn to the report, to the compilers of which all sources of information have been open. That which it contains is interesting as well as valuable. Reading the report carefully, paragraph by paragraph, conviction of the great difficulty of preventing the insidious inroads of overlapping, and of grappling with the consequences of it, grows upon and almost overwhelms us. Take, for instance, paragraph 2—a large town, with three separate societies; one, squeezed between the other two, finds its position hopeless, because, while it pays a low dividend, its neighbours realise dividends of 2s. 4d. and 2s. 6d. respectively. Part of the reason for this is said to be that many of its members have migrated; but when, apart from the report, we come to know that much of the migration has been caused by the trend of working class population being away from the vicinity of the decaying society—away, moreover, never to return, because of the removal of large works—we are bound to conclude that no management can successfully withstand such conditions. The cause that has denuded the one society of members has increased the membership of the other two. The report prescribes amalgamation as the only remedy—and rightly, too.

But look at the difficulties in the way. Prosperous societies are not always anxious to amalgamate, even on presently equitable terms, with moribund societies possessing large assets of real property slowly but surely

decreasing in value. The position has been faced in this instance, and the result has been that the members of each of the prosperous societies have declined either to amalgamate or to absorb the decaying society; and nothing but an increase of co-operative spirit, or the presence of a common danger menacing all three societies alike, will move the members of the prosperous societies from their present attitude. The foregoing instance is given, because it discloses unique difficulties.

The only fruitful cause of overlapping not alluded to in the report is that which prevails in some colliery districts, where a society connected with a colliery possesses within its domain the monopoly of selling beer and spirits, while neighbouring societies are confined to selling ordinary store stocks. The high dividend gained by the sale of drink attracts trade for goods, as well as for drink, from the members of the other societies. It is very difficult indeed to cope with this kind of overlapping, because the bulk of co-operators in this country are altogether opposed to the sale of drink by the stores. The only remedy in such places appears to be the establishment of a society for the sale of drink, separate and distinct from the store.

Except for instances such as the foregoing, the report, after setting forth the causes and defining every grade of overlapping, proceeds to offer suggestions for its removal and prevention under five heads, to four of which I apprehend no exception can be taken; but to the suggested formation of an arbitration board possessing great powers, which provision is regarded by the committee as being necessary to make any such board effective, objection has been taken in many quarters. Few, it appears, would object to the creation of a board which should hear evidence and give its decision, trusting simply to the moral effect such a decision would have upon the parties to the dispute; but the main difficulty in arbitrations of this character is to secure beforehand that both sides will accept the award. If the parties pledge themselves, it is usually with a reservation, expressed or implied, that they will submit the award to the referendum of their members. This, of course, gives a loophole of escape if the award is not acceptable,

however just it may be, in the light of the facts that have led to its being given. That is my experience.

But granted that the committees of two societies agree to amalgamation, and undertake to abide by an award, the members of either, or both, if dissatisfied, might put the committees out of office for assenting. Even if a committee obtained beforehand the sanction of a general meeting of members, another general meeting, held after an award is made, might reverse the decision of that held previously, and the society go on as before. Hence, it was thought advisable by the committee to make the conditions such that refusal to accept and abide by the award of an arbitration board should involve penalties recoverable in a court of law. But will this provision to make arbitration effective be accepted? Will societies alter their rules to admit of this course being taken, especially those societies situate where overlapping is prevalent? I greatly doubt it; but I hold, nevertheless, that the report of the committee would have been incomplete had it not contained the proposal to establish an arbitration board with a constitution outlined as suggested. If it be useless, as is alleged, to appoint an arbitration board that has not the power of going to law to enforce its decisions; if it is hopeless, for the time being, to expect the societies concerned to alter their rules so as to permit of an effective board being created; then our plain duty, in respect to overlapping, is to use the weapons to combat it that lie nearest and readiest to our hand.

Whether reforms can or cannot be accomplished, depends on the conditions, character, and conduct of those who form our organisations. Our main present aim, therefore, must be to retain, by every means open to us, our hold on the children of our members, to attend to their economic and co-operative education on systematic lines. I place that first and most important of all, for the children are our coming army, whose forces we should mould aright. For dealing with existing and incoming uninformed members, let us adopt all the suggestions of the committee in respect to the circulation of literature and the holding of conferences.

As to delimitation of boundaries and amalgamation, wherever amalgamation is feasible, and two or three or more societies are to be merged into one, I suggest that the ward system of representation for committeemen should be adopted, making the co-operative area similar to, or conterminous with, the municipal, or district, or other local government division, if workable; but I would not make it a condition that a committeeman should be an actual resident in the ward or division for which he might seek election.

The obstacles to amalgamation in many instances are that, unless some such scheme as I have outlined is adopted, amalgamation is liable to close the career of many capable committeemen whose services the movement can ill afford to lose; and unless very equitably conducted, it throws out of employment, also, valued employés, perhaps after years of faithful service; whereas amalgamation should give added impetus to co-operative progress, thereby enabling capable committeemen and employés to prove their mettle in a wider field.

I think the foregoing covers briefly all the points raised in the report. Let us, above all things, consider and discuss the subject from the standpoint of things as they are, and not as we could wish them to be. Let us realise that if we cannot entertain projects that go beyond what the bulk of our members are prepared to accept for fear of arousing hostility and crippling the effectiveness of our organisation, we are not, therefore, entitled to sit still and do nothing. If we cannot demand the intervention of the law beyond the point to which educational effort has advanced the acquiescence of our societies, our duty is to extend and ripen the education of our members. Let us, therefore, go forward.

D. M'Innes.

APPENDIX TO PAPER.

Report of Special Committee on Overlapping, presented to the Congress held at Middlesbrough, 1901.

The Congress at Liverpool being called upon to deal with the important and difficult question of "Overlapping," passed the following resolution:—

> That, as in the opinion of this Congress, the overlapping of societies, distributive and productive, in the co-operative movement is becoming such a grave menace to the continued development and success of co-operation, and with the object of securing more complete co-operative action between stores and workshops where their interests clash, the Productive Committee of the Co-operative Union be instructed, so far as the matter relates to productive societies, to appoint a committee to consider and report to next Congress; and, as regards overlapping between stores, the United Board be requested to appoint a committee and report also to the next Congress.

This resolution was brought before the United Board at its first meeting after Congress, when a special committee was appointed to inquire into the matter as far as it relates to distributive societies, and to make a report to the Congress at Cardiff.

The committee consisted of five members, viz., Messrs. J. Baldwin, James Deans, F. Hardern, J. Johnston, and D. M'Innes, who now make their report as follows:—

Report of the Special Committee on Overlapping.

We accepted with pleasure the work allotted to us by the United Board, believing, as we do, that the evils of "Overlapping" are such as to constitute a grave danger to the co-operative movement, and are calculated to retard its growth and diminish its success as an economic force.

Though accepting the task willingly, our eyes were not closed to the difficulties of our position. In the first place, it became necessary for us to attempt to define what "Overlapping" really is, and then to ascertain how far such overlapping extends, and whether its evils were as widespread as was generally supposed. Afterwards, in the event of proof being forthcoming that overlapping did really exist in an acute form, and that its existence in such form was damaging to the co-operative movement, it became our duty to suggest measures for its regulation, if not for its absolute removal.

Our first business, then, was to attempt a definition of "Overlapping." Some critics, no doubt, will say that the term is impossible to define; but we venture to think that the following definition will be found sufficiently broad and ample to meet the requirements of the case, at any rate, for our present purpose.

A Definition of Overlapping.

We therefore have defined "Overlapping" in connection with distributive societies as follows:—

(*a*) Societies becoming established on the same ground, having stores intersected with each other, and competing for the trade of the same people.

(*b*) Societies established in distinct and separate parts of the same city or town, where boundaries might be established in the initiatory stages, but which establish branches all over the town in competition with each other, without attempting to make any arrangement with each other as to their respective boundaries.

(*c*) Societies established in close proximity to each other, in regard to which boundaries are fixed or tacitly understood, convey goods by carriage into each other's districts.

(*d*) Societies established in neighbouring towns or villages take advantage of the growth of the population in districts lying between such towns or villages, and, without regard to any arrangement which might be made for opening stores in the new

districts, establish branch stores in opposition to each other.

EXTENT AND CHARACTER OF OVERLAPPING.

Having thus defined what, in our opinion, constitutes overlapping, we had next to inquire how far and in what directions it extended. We requested the secretaries of the district associations to help us in obtaining information, and we have to thank most of them for their valuable and generous assistance in this matter. The following questions were sent out to the district secretaries in order to guide them as to the kind of information we required :—

1. Give complete list of societies in your district, and opposite their names please state whether they overlap or are overlapped by other societies.

2. (*a*) In connection with each case of overlapping, would you kindly state in separate columns whether it is a case of two societies occupying the same ground, with shops intersecting each other ; or

(*b*) Is it a case of societies established in different parts of the same town or village, where it will be possible to fix boundaries to limit the operations of each society? or

(*c*) Is it a case of societies established in neighbouring towns or villages which, as population extends and districts develop, occupy debatable ground ?

Unfortunately, the information we have thus obtained is not very well adapted for purposes of tabulation and summary ; but it will serve in an admirable manner as a safe and effective guide to any committee or board on whom may devolve the duty of setting in motion the machinery which we propose should be set up for the purpose of grappling with the difficulty. It will be sufficient if in this report we simply give one or two cases as typical of the rest, and afterwards proceed to consider the remedies we have to suggest.

As regards the four divisions of our definition :—

(1) Societies on same ground with stores intersecting each other :—

A society has central and thirty-seven branch stores ; three-fourths of these branches are overlapped by the branches of two other stores in the same town. The two other stores were established many years subsequent to the formation of the first store, and they have now about thirty branches between them, making altogether sixty-seven co-operative shops in one town, where a much smaller number would answer the purpose. The dividends paid by these societies are 2s. 9½d., 3s. 2¾d., and 2s. respectively.

In another town there are eight co-operative societies, with a total membership of 9,083, out of a population of 120,000. None of these societies reaches 3,000 members. They have altogether about fifty shops in the town, and pay dividends ranging from 3s. 4d. to 4s. 8d.

In these cases, amalgamation is the only possible remedy, as it is impossible to draw any line of demarcation on account of the shops of the various societies being so inextricably mixed up with each other.

(2) Societies established in distinct and separate parts of a town where boundaries might be established :—

A case in point is that of a large town which has three separate societies, with shops interspersed in each other's territory. Altogether, they have 19,000 members and twenty-six shops. One society is almost ruined, whilst the other two are prosperous, the dividends of the prosperous societies being 2s. 4d. and 2s. 6d We are informed that the cause of this overlapping is the difference in dividends paid by the various societies and the migration of members.

If in the early stages of existence of these three societies they had mutually agreed on a line of demarcation, and adhered to it, each society would have obtained its fair and legitimate share of progress caused by the growth of the town. As it is, however, one unfortunate society has been squeezed by the others, with the result that it finds its position almost hopeless. The only real remedy at this stage, in a case of this kind, is amalga-

mation, because it has gone too far for demarcation of boundaries.

(3) Societies in close proximity, with boundaries fixed or understood, but which deliver goods in each other's districts :—

> The cases under this head are numerous in every section and almost every district One district secretary reports that carts or vans from as many as six societies are found delivering goods in one village. Another states that C—— Society has more members in T—— than has the T—— Society, and that persons residing in T—— are supplied by the vans of the C—— Society, to the detriment of the society existing in T——. Another district secretary writes that all the societies in his district are "completely mixed up" as regards delivery of goods. Another large society, by means of its vans, delivers goods at the very doors of other societies in the neighbourhood, and will go miles out of its district, although it has entered into an agreement with the other societies in regard to boundaries.

The only remedy for this is to fix a line of demarcation between the various societies, and to stipulate that membership of the societies shall be confined within the boundaries allotted, and that on no account shall the vans of any society be allowed to deliver goods outside its own boundary in competition with any other society.

(4) The action of societies in neighbouring towns or villages in regard to populations growing up between them :—

> It often happens that societies are established in towns or villages, say, three, four, or five miles apart, and at the time of their establishment there is no population worth mentioning between the two places. Then the two places begin to develop and spread out towards each other, eventually meeting and forming a continuous population. Or a new village may, perhaps, spring up between the two, and both societies claim the new population ; then comes the struggle for place, both societies catering for the requirements of the new village, perhaps by delivering goods at first, afterwards by both of them planting branch stores in the place. The consequence is waste of co-operative energy, waste of money and material, increased expenses, and mutual ill-will and animosity. Some of the largest societies are the greatest sinners in this respect. We could quote cases where small societies have been crushed out of existence by the action of the larger societies in squeezing between them in this manner.

Whenever new districts are being developed, it would be advisable for the committees of the societies most directly interested to meet together and endeavour to arrange to what extent each or any of them shall proceed ; and if they are unable to agree to work amicably and avoid competition, the assistance of an impartial tribunal shall be called for.

Causes of Overlapping.

The causes of the overlapping, as above summarised, may be briefly stated as follows, viz. :—

The mistaken idea of most societies that the success of co-operation is to be measured by their own particular success, as judged by the number of their members, their trade, and their dividend. Such societies never think for one moment as to how their success may be purchased too dearly—by the downfall of neighbouring societies and by the destruction of co-operative ideas among the people generally. A commercial success under the conditions above enumerated may mean a great co-operative failure. Co-operation is established for the good of the particular community it is intended to serve ; and when it attempts to go beyond its functions, and to serve others who belong to another community, it must damage both itself and the other.

The results of overlapping are numerous and complicated. The following are, perhaps, the most in evidence, viz. :—

> (1) Competition amongst societies to pay the largest dividends, in many cases leading to the payment of dividends which have not been earned.

(2) The charging of high prices to maintain big dividends, thus giving ample opportunity to the enterprising private trader to under-sell the co-operative society, and so build up a big business.

(3) The growth of the credit system, one society offering against another exceptional advantages as to the time and extent of credit.

(4) Loss of economy in building shop against shop, sending out van against van, and thus doubling the expenses of distribution.

(5) The growth of animosity and ill-feeling between co-operative committees and the consequent decay of co-operative principles, inasmuch as the members of co-operative societies are led to seek only their own individual good, and lose sight of the main objects of the co-operative movement—that is, to combine in groups or communities for the common welfare; and that any group or community acting in antagonism to another group or community must be working against the good of the movement as a whole.

Suggestions for the Removal and Prevention of Overlapping.

We therefore make the following suggestions for the removal and prevention of the evils resulting from overlapping :—

I.—The sectional boards and district executives should make a careful survey of their respective sections and districts, and ascertain, as far as possible, to what extent overlapping exists. When this is ascertained, they should proceed to call the attention of the societies concerned in the matter *(without waiting for a complaint to be made by any or either of the parties interested)*, and they should ask the committees of such societies to meet them in conference, for the purpose of mutually arranging boundaries, or amalgamating their interests in some other way.

Boundaries.

If boundaries can be arranged, a binding agreement should be entered into by the societies, and, if possible,

provision should be included so that the societies agree not to admit members and not to deliver goods outside the boundaries allotted to them.

Amalgamation or Joint Committees.

Where the societies are very closely mixed up in their operations, they should be urged to amalgamate and become one society, This is the best solution of the difficulty, and would ensure greater economy in working expenses. But where a complete amalgamation is found impracticable, the societies might be found willing to amalgamate their interests to the extent of forming joint committees for the purpose of fixing prices for the district, and also in order to arrange something like a uniform rate of dividend for the area covered by their operations.

Members' Conferences.

If the committees of the societies fail to respond to the invitation of the sectional or district boards, they should then endeavour to obtain direct access to the members of the society concerned, in order to place before them in the strongest manner possible the evils of overlapping and to induce them to influence their committees.

Circulation of Literature.

For this purpose it would be useful to circulate freely in the districts a quantity of literature bearing on the question of overlapping and the duties of co-operators one to another. Literature for this purpose would be supplied by the Co-operative Union.

If this action is not successful with the members of the societies, the sectional and district boards should attempt to form a strong co-operative opinion on the subject by means of bringing the offending cases to the notice of all conferences in the district or section concerned, and doing this repeatedly until the offence is removed.

A Permanent Arbitration Board.

II.—As a final court of appeal, we suggest the formation of a permanent arbitration board, to consist of five members, to be elected annually by the Central Board, at

Congress, such members not necessarily to be members of the Central Board, but must be members of some society which is a member of the Co-operative Union. In order to make the board of arbitration effective, it is suggested that the following conditions should be imposed on all societies members of the Union :—

Every society in connection with the Union to be required to execute a legal document agreeing to accept and abide by the award of the arbitration board in regard to any question of "overlapping" which may arise between it and any other society member of the Union, the said document to contain a penalty clause, to be operative against the society or societies declining to abide by the award, such penalty to be recoverable in a court of law.

All new societies applying to become members of the Union to accept these conditions before being admitted as members. Societies declining to accept these conditions should be asked to withdraw, or otherwise be expelled from the Union. The United Board to have power to instruct the arbitration board to act wherever, in the opinion of the sectional or district boards, such action is necessary.

Conclusion.

In making these suggestions, we are quite aware that they may appear somewhat drastic in character; but from the knowledge we have gained in this inquiry, and from our own experience in connection with the societies, we are convinced that nothing short of authoritative power being possessed by some body recognised and trusted by the co-operative movement will be effective.

We submit this report for your consideration in the hope that good may result from its discussion.

F. Hardern, Chairman. J. Johnston.
J. Baldwin. D. M'Innes.
J. Deans. J. C. Gray, Secretary.

Co-operative Printing Society Ltd., 118, Corporation St., Manchester.

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